

A special meeting of the Lake Wales City Commission was held on September 3, 2008 at 6:00 p.m. in the Commission Chambers at the Municipal Administration Building. The meeting was called to order by Mayor Lee A. Wheeler, III.

COMMISSIONERS PRESENT: Terrye Y. Howell; Jack Van Sickle; John Paul Rogers; Lee A. Wheeler, III, Mayor.

COMMISSIONERS ABSENT: Kathy Manry

CITY REPRESENTATIVES PRESENT: Anthony G. Otte, City Manager; Judith Delmar, Asst. City Manager; Clara VanBlargan, City Clerk.

Mr. Otte said that the rejection of the fire assessment fee resulted in a savings of over \$100,000 in the General Fund that is available for allocation. He discussed the following options for use of that money as identified by staff:

- Move one of the two positions that were being moved to the two open positions at the Library back to the Planning and Development Department. The cost of restoring that position would be \$33,000.
- Provide a grant to the Historic Lake Wales Society (HLWS) for the operation of the Depot Museum. Utilities and insurance would be paid for by the City.
- Include funding in the grant for the HLWS to hire a part-time or full-time person to work at the Depot Museum.
- Increase the 1% raise for City employees.
- Purchase additional police vehicles to replace high mileage vehicles.
- Put money in General Fund Reserves.

Ms. Delmar explained the steps that needed to be taken before the Commission could decide on the millage rate. She said that the discussion in the memo on the millage rate and its relation to the roll-back rate would need to be read into the record, both ordinances would need to be read into the record, and the public hearings for both ordinances would need to be opened and closed. She said that the budget affects millage rate.

AGENDA ITEM 1. Ordinance 2008-33 Adopting a Millage Rate for FY08'09 - 1st Reading & Public Hearing; Ordinance 2008-34 Adopting a Budget for FY08'09 - 1st Reading & Public Hearing

Mr. Otte reported on Agenda Item 1. The full staff memo is incorporated into the minutes.

[begin agenda memo, prepared by Judith H. Delmar, Asst. City Manger]

RECOMMENDATION IF FINAL FIRE ASSESSMENT RESOLUTION 2008-14 IS ADOPTED

It is recommended that the City Commission take the following action:

1. Approve, after first reading and public hearing, Ordinance 2008-33 setting the millage rate for FY08'09 at 5.7157.
2. Approve, after first reading and public hearing, Ordinance 2008-34 adopting the proposed FY08'09 budget with expenditures in the total amount of \$39,514,691.

RECOMMENDATION IF FINAL FIRE ASSESSMENT RESOLUTION 2008-14 IS NOT ADOPTED

It is recommended that the City Commission take the following action:

1. Approve, after first reading and public hearing, Ordinance 2008-33 setting the millage rate for FY08'09 at 7.3277.
2. Approve, after first reading and public hearing, Ordinance 2008-34 adopting the proposed FY08'09 budget with expenditures in the total amount of \$39,334,281.

BACKGROUND

In accordance with Florida Statutes and the City Charter, Ordinances 2008-33 and 2008-34 are presented for first reading and public hearing. Ordinance 2008-33 establishes the millage rate for FY08'09, and Ordinance 2008-34 adopts the proposed FY08'09 budget.

The proposed FY08'09 budget document includes the revenue and expenditure details for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Fund, Utility System Fund and Airport Fund. This document was previously forwarded to the City Commission for review and was discussed at workshops held on August 20 and August 27.

This budget has been prepared in accordance with Article VI, Section 6.04 of the City Charter, which requires that the budget provide a complete financial plan of municipal funds and activities. Estimated current year ending fund balances have been considered and are included in the budget.

PROPERTY TAX IF FIRE ASSESSMENT IS ADOPTED

The budget presented to the City Commission is based on the proposed millage rate of 5.7157 per \$1,000 of taxable valuation with \$1.092 million generated by the proposed fire assessment. The proposed millage rate of 5.7157 per \$1,000 is 26.21% below the rolled-back rate of 7.7459 mills and 22.26% (-1.6364 mills) below the rate of 7.3521 mills assessed during FY07'08.

For homesteaded residential property, the difference between the current rate of 7.3521 mills and the proposed rate of 5.7157 mills is illustrated in the following chart:

Assessed Value	Taxable Value		Tax Rate per \$1,000		Reduction in taxes paid
	with 1 st \$25,000 homestead exemption	with 1 st & 2 nd \$25,000 homestead exemption	7.3521 mills (current)	5.7157 mills (proposed)	
\$60,000	\$35,000	-	\$257.32	\$200.05	\$57.27
\$75,000	\$50,000	-	\$367.61	\$285.79	\$81.82
\$100,000	-	\$50,000	\$367.61	\$285.79	\$81.82
\$150,000	-	\$100,000	\$735.21	\$571.57	\$163.64
\$200,000	-	\$150,000	\$1,102.82	\$857.36	\$245.46

PROPERTY TAX IF FIRE ASSESSMENT IS NOT ADOPTED

If the proposed fire assessment is not adopted after public hearing on September 2, adoption of the proposed budget will require a millage rate of 7.3277. This rate is obtained by adding the millage equivalent of the fire assessment revenue (1.612 mills) to the rate of 5.7157 discussed previously.

The millage rate of 7.3277 is 5.40% below the rolled-back rate of 7.7459 and represents a reduction of .0244 mills (-0.33%) from the current the rate of 7.3521 mills.

The following chart illustrates the difference between the current rate of 7.3521 mills and the rate of 7.3277 mills that will be necessary to fund the proposed budget if the fire assessment is not adopted:

Assessed Value	Taxable Value		Tax Rate per \$1,000		Reduction in taxes paid
	with 1 st \$25,000 homestead exemption	with 1 st & 2 nd \$25,000 homestead exemption	7.3521 mills (current)	7.3277 mills (adj proposed)	
\$60,000	\$35,000	-	\$257.32	\$256.47	\$0.85
\$75,000	\$50,000	-	\$367.61	\$366.39	\$1.22
\$100,000	-	\$50,000	\$367.61	\$366.39	\$1.22
\$150,000	-	\$100,000	\$735.21	\$732.77	\$2.44
\$200,000	-	\$150,000	\$1,102.82	\$1,099.16	\$3.66

The millage rate of 7.3277 is the maximum millage rate that may be approved by a simple majority (3-2) vote of the City Commission and will generate \$347,135 less in ad valorem proceeds than was received in FY07'08.

The following chart compares the proposed tax rate without the fire assessment (7.3277 mills) to the proposed tax rate with the fire assessment (5.7157 mills):

Assessed Value	Taxable Value		Tax Rate per \$1,000		Reduction in taxes paid
	with 1 st \$25,000 homestead exemption	with 1 st & 2 nd \$25,000 homestead exemption	7.3277 mills (without fire assessment)	5.7157 mills (with fire assessment)	
\$60,000	\$35,000	-	\$256.47	\$200.05	\$56.42
\$75,000	\$50,000	-	\$366.39	\$285.79	\$80.60
\$100,000	-	\$50,000	\$366.69	\$285.79	\$80.90
\$150,000	-	\$100,000	\$732.77	\$571.57	\$161.20

\$200,000	-	\$150,000	\$1,099.16	\$857.36	\$241.80
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USER FEES

A series of ordinances adopted by the City Commission in September 2007 authorized annual increases in city user fees based on June's annual CPI or 2.5%, whichever is greater. The increase in the CPI measured from June 2007 to June 2008 was 5%, and all user fees (i.e, water and sewer, solid waste collection, facility rental, development fees, etc.) will be increased by 5% on October 1.

Although a 5% increase in user fees will generate an additional \$60,000 for the General Fund, ad valorem proceeds are declining and revenues from state and other intergovernmental sources are expected to show little or no growth and, in some cases, are expected to decline significantly. In combination with increasing non-discretionary expenses, which include rapidly increasing fuel costs, it has been necessary to make budget cuts in order to keep expenditures below revenues.

EXPENDITURE CHANGES SINCE PRESENTATION OF BUDGET

The budget that was originally presented on August 15 and discussed during budget workshops has been revised to include increases and reductions of expenditures as follows:

Budget With Fire Assessment	Budget Without Fire Assessment	
-148,127	-148,127	Reduction of health insurance costs
-71,283	-71,283	Reduction of Property, Liability and Workers Comp insurance costs
2,068	2,068	Increase in payroll budget due to one employee pay increase after 8/15
-2,363	-2,363	Reduction of General Fund admin charge to Utilities Fund
30,000	30,000	Addition of \$30,000 for Fire Dept safety gear, training and call-back
3,287	3,287	Addition of other General Fund training
76,380	76,380	Addition of 1% payroll across the board Cost-of-Living adjustment (COLA)
12,000	12,000	Addition of grant to Historic Lake Wales Society for part-time employee
-85,000	-85,000	Deletion of grant-funded motorcycles
359	359	Net effect of changes to allocated expenses
57,906		Addition of payment of assessment for exempt Citrus Groves
7,300		Addition of payment of assessment for non-paying govt & school board
30,000		Addition of contingency for assessment errors/non-payments
	-8,700	Deletion of Professional Services cost for update of assessment

Budget With Fire Assessment	Budget Without Fire Assessment	
		rates
	-21,845	Deletion of Tax Collector administration fee
	-16,974	Deletion of assessments on City-owned property
	-37,685	Deletion of payment of assessments for lifeline program
-87,473	-267,883	Total change in expenditure budget (All Funds Combined)

The changes shown in the table above affect expenditures in the General Fund, Fire Assessment Fund, Transportation Fund, CRA Fund, Library Fund, Utilities Fund and Airport Fund.

If the fire assessment is adopted, balancing the General Fund budget with the applicable changes in the table above requires an increase in the contribution from the Utilities Fund of \$11,282; however, the millage rate remains at 5.7157 as proposed.

If the fire assessment is not adopted, \$95,206 that was added to cover payment of assessments for citrus groves, governments and schools, and errors/other non-payments and \$8,258 budgeted for assessments on City-owned property will be deleted, leaving a \$103,464 surplus of revenues over expenditures. This surplus could be used to increase fund balance at 9/3/09. Alternatively, it could be used to reduce the FY08'09 millage rate below 7.3277; i.e., \$103,464 is the equivalent of .1589 mills, allowing a reduction of the millage rate to 7.1688 mills. The Commission could also use all or part of the surplus to increase the pay increase for employees or increase other expenditure line items.

With the adoption of the fire assessment, the proposed General Fund operating budget totals \$9,959,700. When adjusted for fire department expense not funded by the General Fund (\$1,353,324), this represents a reduction of 1.1% from the current year budget.

Without the adoption of the fire assessment, the proposed General Fund operating budget totals \$11,139,206, a reduction of 2.6% below the current year budget. Budget cuts are detailed in the chart following this memorandum but are summarized as follows:

Elimination of employee positions in various departments	-\$152,532
Elimination of tuition assistance for employees	-\$42,326
Elimination of conference and seminar attendance	-9,460
TOTAL	\$217,605

In addition, capital outlay requests in the amount of \$240,770 were not funded including purchase of replacement vehicles, mowers and other equipment; however, the budget does include the expenditure of \$45,000 in General Fund operating revenues and \$75,000 in impact fees for the purchase of police vehicles.

FUND BALANCE

As strongly recommended by the City's auditors, it has been our goal to increase the General Fund balance to 15-20% of the total operating budget. In terms of the proposed FY08'09 budget, this would require a General Fund balance of \$1.5 to \$1.9 million.

On September 30, 2007, the total fund balance of the General Fund was \$876,741 or 7.7% of the total operating budget for FY07'08. To eliminate the need for obtaining a Tax Anticipation Note to provide funding for operating expenses from October 1, 2008 through December 31, 2008, the City Commission and CRA Board of Commissioners on July 1, 2008 approved the transfer of \$1,000,000 in proceeds from the sale of the former Cooperative Fruit Property to the General Fund to be set aside in a Tax Anticipation Account for the purpose of providing the funds necessary to cover the City's cash needs during the first quarter of each fiscal year. The transfer was approved with the stipulation that the account, which will ultimately fund construction of a municipal pool, must be made whole by September 30 of every fiscal year.

If expenditure levels reported at July 31 are maintained through the end of the year, it is estimated that revenues will exceed expenditures by approximately \$17,750 at 9/30/08. The fund balance now projected at July 31 plus the \$1,000,000 Pool/Tax Anticipation Reserve Account combine to make a fund balance forward of \$1,894,495 –the equivalent of 19.1% of the proposed FY08'09 General Fund budget.

SUMMARY OF ALL FUNDS

	With Fire Assessment	Without Fire Assessment
General Fund	\$8,648,102	\$10,747,632
Special Revenue Funds	\$7,212,122	\$4,938,499
Debt Service Fund	\$2,436,478	\$2,436,478
Capital Projects Fund	\$690,000	\$690,000
Utility System Fund	19,060,669	\$19,056,476
Airport Fund	1,467,320	\$1,465,195
TOTAL	\$39,514,691	\$39,334,281

If the fire assessment is adopted, the expenditure total of \$39,514,691 is comprised of operating costs in the amount of \$22,338,312 and capital outlay in the amount of \$17,176,379. Transfers in the amount of \$8,288,558 bring total expenditures plus transfers to \$47,803,249. The proposed operating budget expenditures for FY08'09 are 37.5% less than the actual total operating expenditures for FY06'07.

If the fire assessment is not adopted, the expenditure total of \$39,334,281 is comprised of operating costs in the amount of \$22,157,902 and capital outlay in the amount of \$17,176,379. Transfers in the amount of \$7,357,253 bring total expenditures plus transfers to \$46,691,534. The proposed operating budget expenditures for FY08'09 are 39.5% less than the actual total operating expenditures for FY06'07.

The variance in expenditures between the two proposed budgets is related to costs associated with the fire assessment program (payment of assessments for city-owned properties, exempted citrus growers and property owners eligible for the lifeline program, payment of the Tax Collector's admin fee, etc).

Capital expenditures include utility system improvements such as the rehab and expansion of the wastewater treatment plant, lift station rehabilitation, reuse transmission lines and downtown water system improvements, parking improvements at old city hall, Kiwanis Park improvements, completion of airport building reconstruction, purchase of police vehicles and miscellaneous equipment purchases budgeted as follows:

General Fund	\$53,500
Special Revenue Funds	1,808,000
Capital Projects Fund	\$690,000
Utility System Fund	\$13,260,984
Airport Fund	\$1,363,895
TOTAL	\$17,176,379

REVIEW OF DEBT SERVICE

As required by Charter, a summary of the City's outstanding debt at September 30, 2008 is presented as follows:

Wachovia Utility System Improvement Refunding Revenue Note, Series 2006A; issued to refund existing bonds and fund Water and Sewer system improvements. Balance: \$6,055,107; last payment October 2016.

Public Improvement Bonds, Series 1997; issued to refund Public Improvement Bond Series, 1991 which refinanced Public Improvement Bond Series, 1989 funding capital projects. Balance: \$2,270,000; last payment October 2014.

CRA Redevelopment Revenue Note, Series 2007; issued to finance redevelopment capital improvement projects. Balance: \$9,499,999; last payment October 2007.

Total bonded indebtedness: \$17,825,106

Florida Department of Environmental Protection Revolving Loan Program assistance for funding of costs associated with Wastewater Reuse Project, Phase I. Annual interest rate, 2.56%. Balance: \$953,842; last payment February 2019.

Florida Department of Environmental Protection Revolving Loan Program assistance for funding of costs associated with Wastewater Reuse Project, Phase II. Annual interest rate, 3.05%. Balance: \$576,555; last payment August 2016.

Florida Department of Environmental Protection Revolving Loan Program assistance for funding of costs associated with sludge dewatering Improvements to the Wastewater Treatment Plant. Annual interest rate, 2.14%. Balance: \$1,144,442; last payment October 2022.

Florida Department of Environmental Protection Revolving Loan Program assistance for funding of pre-construction costs associated with the Wastewater Treatment Plant Expansion Project. Annual interest rate, 1.88%. Balance: \$1,004,111; last payment October 2028.

SunTrust 2003 Note; issued to accomplish advance refunding of Capital Improvement Revenue Bonds, Series 1996 (\$4,666,859), to refinance Non-Ad Valorem Revenue Bonds, Series 1999 (\$4,757,115) and to finance interest and issuance costs (\$125,716). Annual interest rate, 3.84%. Balance: \$7,720,498.; last payment 2016.

SunTrust 2005 Note; issued finance construction of chlorine contact chamber at Wastewater Treatment Plant and city's cost portion of reuse transmission lines. Annual interest rate, 4.2%. Balance: \$778,216.; last payment 2015.

Florida League of Cities Master Lease Program for lease-purchase of Fire Truck. Annual interest rate: 2.37%. Balance: \$124,428 last payment 2010.

Florida League of Cities Master Lease Program for lease-purchase of Fire Truck. Annual interest rate: 4.28%. Balance: \$349,216; last payment 2012.

Motorola Capital Lease Program for lease-purchase of Public Safety communications equipment and other equipment. Annual interest rate: 6.263%. Balance: \$189,198; last payment 2012.

Utility System Revenue Note, Series 2006B, is an authorized credit line in the principal amount of not to exceed \$3,100,000 to finance the cost of constructing and acquiring certain additions, extensions and improvements to the utility system. Current variable interest rate as of August 8, 2008 based on 74% of 1-Month LIBOR: 5.74%. Balance: \$2,550,000; last payment 2026.

Total non-bonded indebtedness: \$15,390,506

The City's total bonded and non-bonded indebtedness at 9/30/08 is \$33,215,612, which is equal to 4.0% of the 2008 taxable valuation. Debt payments due during FY08'09 total \$3,865,664 and represent 9.65% of the City's operating budget (excluding interfund transfers and capital outlay). A schedule showing the City's outstanding debt at September 30, 2008 is included in the Charts & Graphics portion of the proposed budget (page C-2).

BUDGET HIGHLIGHTS

A summary of the important aspects of the proposed FY08'09 budget document is provided as follows:

1. A 1.0% increase is proposed for all employees. For police officers and firefighters, this is contingent upon negotiations with the police and firefighter bargaining units.
2. A 10% increase for workers' compensation, liability, property, and casualty insurance premiums is budgeted in accordance with information received from our property, casualty and workers' compensation providers. This increase is less than was originally anticipated and allowed us to reduce the budget by a total of \$71,000 in various funds (General Fund, CRA, Transportation, Utilities).
3. The City went out to bid on health insurance, and two bids were submitted with comparable or better benefits at a 13% reduction in cost to the City and to employees with dependent coverage. The total savings to the City is \$148,127.
4. Pension contribution rates have been budgeted for FY08'09 to yield the actuarially determined funding requirements calculated by the actuaries retained by the City's pension boards as follows:

	General Employees	Police Officers	Firefighters
FY 07'08	7.1%	15.6%	26.5%
FY 08'09	6.0%	17.3%	28.2%
Change	-1.1%	+1.7%	+1.7%

5. Changes in departmental staffing in FY08'09 as compared to the FY07'08 amended budget are:

Police Department	- 1.00	Lieutenant position transferred to Community Redevelopment department for Community Policing program.
Building Department	- 1.00	Admin assistant position deleted.
Building Department	- 1.00	Permit clerk position deleted.
Building Department	- 0.25	Bldg Inspector position vacant after June 2009
Finance Department	- 0.25	Accounting Clerk position transferred to Utilities Customer Svc
Depot Museum	- 1.00	Admin Assistant position deleted; position transferred to Support Services/Streets Admin
Depot Museum	- 0.50	Curator position deleted.
Support Services	+ 0.75	Grant Administrator position added.
Streets Admin	+ 0.25	Admin Information Specialist position added
Facilities Maintenance	- 1.00	Two part-time Custodian positions deleted.
Recreation Services	- 1.00	Two year-round P/T positions at Gvm deleted.
Library Books-by-Mail	+ 1.00	Librarian Assistant position added
Community Redevelopment	+ 1.00	Lieutenant position transferred from Police Department for Community Policing program.
Utilities Customer Service	+ 0.25	Accounting Clerk position transferred from Finance Dept
	- 3.75	Net Change in positions since amended FY07'08 Budget

6. Capital expenditures proposed for FY08'09 are as follows:

Item	Cost	Funding Source
IMPROVEMENTS		
Airport – Runway Extension (Engineering)	450,000	Airport Grants, Airport Revenues
Airport – Medium Intensity Taxiway Lights	97,680	Airport Grants, Airport Revenues
Airport – Parking	157,500	Airport Grants, Airport Revenues
Airport - FBO Building Reconstruction	596,665	Insurance Proceeds
Drainage Improvements - Twin Lakes	300,000	CRA Bond, SWFWMD Grant
Landscaping & Signage – LLBP	50,000	Proceeds from sale of lots
Parking Improvements - Old City Hall	750,000	CRA Bond
Streetscape Lighting - Lincoln Avenue	145,000	CRA Bond
Streetscape Improvements - Dr ML King Jr Blvd	200,000	CRA Bond
Parks & Recreation - Hardman Hall	650,000	State grant, CRA Tax Increment
Parks & Recreation - Kiwanis Park Improvements	200,000	FRDAP Grant
Parks & Recreation - Lake Beautification	70,000	CRA Bond

Item	Cost	Funding Source
Reuse System - Booster Stations	45,000	Impact Fees, Utility System Revenues
Reuse System - Transmission Lines	1,140,224	Loan Proceeds, SWFWMD Grant
Reuse System - Monitoring Wells	50,000	Loan Proceeds, Impact Fees
Reuse System - Upgrades	40,000	Loan Proceeds, Impact Fees
Sewer System - Lift Station Pumps	75,000	CRA Bond
Sewer System - Treatment Plant Rehab	4,472,077	SRF Proceeds, Operating Revenues
Sewer System - Treatment Plant Expansion	3,990,345	SRF Proceeds, Impact Fees
Sewer System - Lift Station Rehabilitation	196,331	CRA Bond
Sewer System - Sliplining Sewer lines	260,000	CRA Bond
Water System - Asbestos Pipe Removal	300,000	CRA Bond
Water System - Winter Haven Interconnect	50,000	Impact Fees, Utility System Operating Revenues
Water System - Booster Stations	85,000	Loan Proceeds, Impact Fees, Utility System Operating Revenues
Water System - Downtown Improvements Ph 2	959,862	CRA Bond, CRA Tax Increment
Water System - Misc. New Services	25,000	Utility System Operating Revenues
Water System - Elevated Storage Tank SW Area	1,237,145	Water Impact Fees, LLBP lot sales, CRA Bond
Water System - Northwest Water Line Extensions	250,000	CRA Bond
Water System - PRV Hunt Bros & Scenic	60,000	Utility System Operating Revenues, Impact Fees
LAND		
Airport – Avigation Easements	22,050	Airport Grants
VEHICLES & EQUIPMENT		
Airport - Fuel Truck	40,000	Airport Operating Revenues
Facilities Maint - Cap for Truck	1,500	General Fund Revenues
Information Services - Server Upgrade	5,000	General Fund Revenue
Library – Equipment	10,000	Library Fund Revenue
Parks Division – Trailer	2,000	General Fund Revenue
Police Dept – Night Vision Devices	8,000	Byrne Grant

Item	Cost	Funding Source
Police Dept –Vehicles	120,000	General Fund Revenue, Impact Fees
Reuse – Master Reuse Meters	25,000	Utility System Operating Revenues
OTHER CAPITAL OUTLAY		
Library – Books & Subscriptions	40,000	Library Fund Revenue
TOTAL CAPITAL EXPENDITURES	17,176,379	

7. In accordance with Ordinance 2007-07 adopted by the City Commission on September 18, 2007, the schedule of water and sewer rates and charges will be adjusted to reflect a 5% increase based on June's annual CPI. The increase will be applied to service provided on or after October 1, 2008.

	WATER CHARGES					SEWER CHARGES		
	base charge	rate per 1,000 gallons				base charge	rate per 1,000 gallons	
		0-5,000	5,001 - 10,000	10,001 - 25,000	over 25,000		0 -5,000	5,001 - 15,000
Current	4.95	1.96	2.65	4.11	6.77	17.59	2.31	4.05
10/01/08	5.20	2.06	2.78	4.32	7.11	18.47	2.43	4.25

For inside-city residential customers using an average of 8,000 gallons per month, water charges will increase from \$22.70 to \$23.84, and sewer charges will increase from \$41.29 to \$43.37; the combined bill for water and sewer will increase from \$63.99 to \$67.21.

8. The FY08'09 Budget includes a 5% increase in all General Fund user fees and charges. For residential solid waste collection and recycling, fees will increase from \$19.20 per month to \$20.16 per month.
9. In addition to staff reductions and elimination of pay increases, tuition reimbursement and training expense, other cost reduction measures recommended in the proposed FY08'09 budget include the following:

Depot Museum. It is recommended that the Depot Museum be turned over to the Historic Lake Wales Society for operation on the same basis as the B St. Center; i.e. the City will pay for utilities and insurance (\$29,839) and will provide a grant to HLWS to hire a part-time administrator (\$17,500). During FY08'09 the City will also provide \$4,000 for Pioneer Day, \$1,775 for telephone expense, and \$3,000 for the cost of monitoring the security alarm. In addition \$7,721 in in-kind services is budgeted for Pioneer Day.

Albert Kirkland Sr. Gymnasium. It is recommended that the Kirkland Gymnasium be turned over to the Boys & Girls Club for operation utilizing their staff. The budget includes funds for a contract with the Boys & Girls Club in the amount of \$32,000 to cover admin, utilities, and m&r expense for the gym floor. The City will pay \$10,662 in property and liability insurance costs for the Gym.

CONCLUSION

With the second wave of tax reform taking effect in the new budget, City staff is reviewing our overall fiscal position and planning for the future. There are three cities in Polk County that are close in size for comparison purposes: Lake Wales, Auburndale, and Haines City. Of the three, we have the lowest tax base and the highest tax rate coming into the new fiscal year. City staff is working to address this situation, which will require the implementation of fees to replace tax revenue. The fire assessment is an effort in that direction. The City Commission has also directed that economic development be aggressively pursued to build the City's tax base.

Long term, the City's revenue picture appears to be promising. Several projects that will enhance our tax base, including the Hampton Inn and Suites, and the Lowe's store, have been completed. Other projects around the Eagle Ridge Mall are either underway or in the plan review and approval stages. City staff is also looking to SR 60 West as the City's future industrial base, anticipating the effect of the CSX development on the former City of Winter Haven sprayfield, just beyond the western edge of our utility service area. A key asset that will be a contributing factor is the City's airport: the new fire suppression system and water well and tank have been completed, and the purchase of 60 acres for the runway extension to the west has now closed. The final building to be re-constructed will be complete within the next 6 months. In addition to these improvements, the continued development in the Longleaf Business Park will increase the value of the CRA tax increment, as will commercial and residential construction in the Mayfair development on the former Cooperative Fruit Property. Construction completed during the twelve-month period beginning January 1, 2008 will be reflected in the City's taxable value established on January 1, 2009 with property taxes to be collected starting in November 2009.

In the near term, our financial resources will be severely constrained as we deal with the fiscal impact of tax reform and the slow-down of the housing market and the economy in general. In order to ensure sufficient financial resources for the future, sustaining the progress of economic development will be our highest priority. Strengthening an organization that is reduced in size and improving the ability of our employees to provide high levels of service with limited resources will also be an important focal point during FY08'09. By continuing to implement strong budget controls, requiring strict adherence to purchasing procedures, and maintaining the timeliness of financial reporting, it is our goal to complete FY 08'09 with improved cash surpluses in both the General Fund and the Utility Fund.

Expenditures must continue to grow conservatively for the next few years in order to increase the City's cash reserves to appropriate levels. Maintaining an adequate General Fund balance is an indicator of the financial health of the City, and a \$2 million cash surplus in the General Fund is the minimum acceptable amount for responding to emergencies, covering expenditures during the early part of the fiscal year before ad valorem revenues are received, and paying costs of grant-funded projects prior to reimbursement from grant sources. The same is true of the Utility Fund. Steady gains in General Fund Balance and Utilities Fund Retained Earnings have been made since FY01'02, but some of the gain was diminished by cost overruns in health insurance for several years. That situation was addressed when the City Commission approved a conventional health insurance program through a provider and eliminated the City's self-insurance program last year. Fund Balance in the General Fund also improved dramatically with the deposit of the escrow account for the swimming pool construction into Fund Balance, with restrictions on use of the funds. It is essential that the cash position of both the General Fund and the Utility Fund continue to be improved above their current levels.

By necessity, the proposed FY08'09 Budget responds to reductions of ad valorem proceeds and other General Fund revenues with significant cut-backs in spending on culture, recreation and other "quality of life" services, as well as employee training and education, in order to ensure sufficient resources for the delivery of basic municipal services. In addition, the proposed FY08'09 Budget addresses several areas identified by the City Commission as problems:

1. *Street and alley conditions.* In FY05'06, city staff completed an inventory of street conditions. Many streets and alleys are in poor condition or have failed due to long-standing problems involving either improper construction or lack of appropriate drainage structures. The improvement of substandard street conditions was a major initiative in FY07'08 upon issuance of the CRA bond. Resurfacing work is scheduled for completion

in the next 90 days, and the spreading of millings in alleys and some drainage work will be done in the new fiscal year.

2. *Utility improvements.* In the new fiscal year the Utility staff will continue an aggressive program of repairs and planning for system improvements. Several projects that have been on the drawing boards for many years are now coming to a close, including the southside force main and the first phase of the re-use transmission line. Other long-term projects are underway, including the southside water tower. Planning for the first phase of improvements at the wastewater treatment plant and new facilities in the northeast section of our utility service area will be priorities in the new fiscal year, along with the start-up of the re-use system for residential customers.
3. *Community Development.* The Lincoln Avenue Commercial Revitalization program is planning to produce tangible results this year, as funding is being sought from two grant sources. One new business has opened in the past year and a replacement business has made improvements on a building in compliance with program guidelines. Community interest and expectations in the program continue to grow, and an important step forward is planned in this budget with the opening of the police sub-station in the area.
4. *Downtown Redevelopment.* It is anticipated that FY08'09 will be a year of progress for downtown as the Chamber's management of the Main street program goes into full swing. The Chamber's CRA Steering Committee is also following-up on the downtown plan delivered by Martin Vargas. The FY08'09 budget includes \$397,800 for Economic Redevelopment Assistance to provide incentives to attract new businesses to the historic Downtown area.

[end agenda memo]

Mr. Otte said that the 7.3277 millage rate being proposed is the maximum millage rate, but is slightly less than the current millage rate of 7.3521 mills.

Ms. Delmar read Ordinance 2008-33 by title only.

AN ORDINANCE OF THE CITY OF LAKE WALES, POLK COUNTY, FLORIDA, ADOPTING THE FINAL LEVYING OF AD VALOREM TAXES FOR THE CITY OF LAKE WALES, POLK COUNTY, FLORIDA FOR FISCAL YEAR 2008-2009; PROVIDING FOR AN EFFECTIVE DATE.

OPENED PUBLIC HEARING

Deming Cowles, member of the Depot Advisory Commission, asked if the proposed millage rate of 7.3277 included the \$100,000 savings that is being discussed as a potential funding source for some of the funding issues that have been discussed. Mr. Otte said that is what he was led to believe.

CLOSED PUBLIC HEARING

Ms. Delmar explained that the City adopted an interim millage rate of 7.7459 that was mailed in the notices to taxpayers. The City cannot adopt a millage above that rate. She said that the first reading of this ordinance would establish the tentative millage rate for FY-08'09 and whatever the Commission approves with the first reading is the way staff will advertise the tentative millage rate. That rate can go up to 7.7459 but it would require a 4-1 vote for ultimate adoption. The maximum millage rate of 7.3277 can be adopted by a regular vote of 3-2. This ordinance is framed to allow the Commission to approve a millage rate between 7.3277 and 7.459 at first reading.

Commissioner Van Sickle said that the millage rate of 7.3277 would create a \$100,000 savings. Mayor Wheeler asked if that rate would be part of the budget. Ms. Delmar said yes, which is why she suggested

conducting the public hearing on the budget before the Commission votes on either of the ordinances because what the Commission does with the budget affects how it sets the millage rate.

Ms. Delmar read Ordinance 2008-34 by title only.

AN ORDINANCE OF THE CITY OF LAKE WALES, POLK COUNTY, FLORIDA, RATIFYING, APPROVING, ACCEPTING AND ADOPTING THE ESTIMATES OF EXPENDITURES FOR THE OPERATION OF THE SEVERAL DEPARTMENTS OF SAID CITY, AND ALL NECESSARY AND ORDINARY EXPENSES OF SAID CITY FOR THE 2008-2009 FISCAL YEAR, APPROPRIATING ALL FUNDS TO BE RAISED AND COLLECTED FROM ALL SOURCES SET FORTH IN THE ESTIMATE OF REVENUES & BALANCES FOR SAID FISCAL YEAR, AND THE REPEALING OF ALL ORDINANCES IN CONFLICT WITH THIS ORDINANCE; PROVIDING FOR AN EFFECTIVE DATE.

OPENED PUBLIC HEARING

Sharon Becker, 403 E. Central Avenue, asked the Commission to restore Grants and Aid to the budget. She said that when these funds are withdrawn it hurts little children by strangling the Pram Fleet and the football league, the elderly by closing the Senior Center, and the culture by withholding funds from the Lake Wales Arts Center. It amounts to a whopping \$53,800. She said that strangely this is the exact amount paid to a former City Commissioner who was hired directly off the City Commission, which is a direct violation to Article 3, Section 7, of the City's Charter. Ms. Becker said if both positions at the Depot Museum are not restored it would cripple the museum. She said last year the City Manager said that there was no money to fund those positions. Yet, when the City Manager transferred the Curator to the Library, funds mysteriously appeared. Ms. Becker said staff is asking the Commission to increase the 1% raise for City employees with found moneys. This is a wonderful compassionate gesture, but it slaps the face of residents who live on a fixed income and others who are barely making a living. She said that the layoffs are coming from the wrong end of the wage scale. The bottom! At the other end of the wage scale, the City Manager's department is costing the citizens a half million dollars each year. Is this money well spent? Ms. Becker said that the Commission needed to demand answers to tough questions about misspent funds.

Victor Story, former Lake Wales Mayor, said that CSX Transportation donated the Depot Museum property to the City of Lake Wales. So, the City should spend a small portion of its revenue on preserving the history of Lake Wales.

Thomas Baynes, retired Bankruptcy Judge and resident, told how the Depot Commission was formed. He said that there are some legal consequences in merging non-for-profit corporations with other institutions. The viability associated with the type of structure that has been created would be lost. There are only so many types of institutions in the community that give some form of franchise to the City beyond its public domain, two of which are the Depot Museum and the Library. Somehow funding for these organizations need to be maintained, especially for the Depot Museum. The City just can't do away with these types of institutions because it would lose all the particular fabric that is available to the public.

Sharon Kurschner, retired McLaughlin Middle School principal, said that as a former school administrator she understands what budget cuts mean. She asked that the Commission save at least one position at the Depot Museum because it is important to maintain the history of Lake Wales, which adds a particular charm to the town.

Molly Albritton Cooper, retired school teacher, commented that Lake Wales is her home. She said that the City needed to do the right thing for all its citizens in Lake Wales.

George O'Neil, resident of Mountain Lake Community, commented that he is happy to be a neighbor to Lake Wales and then read the Mission Statement of the Historic Lake Wales Society. He said that it is important to preserve the staff at the Depot Museum because the museum serves as an organization that has raised significant funds for Lake Wales and for other organizations as well. Without staff at the Depot Museum this type of fund raising could not continue.

Tally Ramsing, 532 N. Crooked Lake Drive, said that women have been responsible for the cultural assets of many communities, such as the Library, the Women's Garden Club, and the Depot Museum in Lake Wales. She commented that she is tired of having the work of women disregarded and men who just don't get it. It is time that these women are recognized.

Jan Privett, President of the Main Street Board, said that the Lake Wales Chamber of Commerce and the Lake Wales Main Street are working together in promoting the historic character of the downtown. The Depot Museum is considered a valuable asset that brings people downtown and helps promote economic development. She urged the Commission to find a way to keep the Depot Museum open.

Noel Phetteplace, 436 E. Central Avenue, said that as former member of the Depot Commission he knows the awesome things that the Depot Commission and the Depot Museum do. The Depot Museum and events like Pioneer Days are historically the heart and soul of Lake Wales. Because the museum is a big benefit to the City and its downtown, there needs to be at least one staff person to operate it.

Jack Neal, 135 E. Central Avenue, a member of the Depot Commission, commented that the City needs the Depot Museum because it is a part of Lake Wales. He commented that it would be worth it if the Commission could find the money to keep it.

Mimi Reid Hardman, Depot Museum Director, presented each Commissioner with a book on the history of Lake Wales. She told about the many projects currently taking place in Lake Wales that are being paid for with money raised by the Historic Lake Wales Society.

Jake Rowe, 213 B Street, commented that cultural events are a part of education, which is one of the ways of preventing crime. He said that he works at the Depot Museum three days a week, he has been associated with Ms. Hardman since 2002, and he has attended many Commission meetings. At one of those meetings a group attended that, to him, was persecuting Ms. Hardman. Mr. Rowe said he commented at that meeting that there should be a statue of Ms. Hardman on every street corner in Lake Wales because of all the money she has raised and all the grants she has gotten. He said that the City does have funds available to keep the Depot Museum open. The Depot Museum will not be closed, it will stay open, and it will be maintained!

Deming Cowles, Babson Park, commented that he is in support of whatever the Historic Lake Wales Society and the Depot Museum are interested in doing. He thanked the Commission for everything it is doing to make the community a better place to live. Mr. Cowles said that this community is made up of individuals who are trying to work together. He urged the Commission to maintain both employees at the Depot Museum.

CLOSED PUBLIC HEARING

Commissioner Van Sickle said the Commission needed to keep the millage rate from increasing and figure out how to fund things with that rate. He said that the City is not the only one being affected by cost. His wife is a county employee, and they are not getting any raises. Unfortunately, this Commission would have to make some decisions that everyone will not agree with.

Commissioner Rogers said that he would like to see the millage rate as low as possible and with that rate still maintain some type of service for the people.

Commissioner Howell said the Commission has lowered the millage rate for the last three years. The proposed millage rate of 7.3277 would keep the City above water and the City would still have money in its Fund Balance. She said because of that she is in favor of the proposed millage rate. Ms. Delmar explained that the budget is balanced at 7.3277 mills and at that rate, there would be a \$103,000 savings that can be utilized for other purposes including restoration of Fund Balance.

Mayor Wheeler said that he agrees with the consensus of the 7.3277 millage rate, so he too is in favor of it.

Commissioner Howell made a motion to approve, after first reading and public hearing, Ordinance 2008-33 setting the millage rate for FY-08'09 at 7.3277. The motion was seconded by Commissioner Van Sickle.

ROLL CALL:

Commissioner Howell	"YES"
Commissioner Van Sickle	"YES"
Commissioner Rogers	"YES"
Mayor Wheeler	"YES"

The motion carried 4-0.

Commissioner Van Sickle said that the task of the Commission is to decide how to utilize the \$103,000 savings. Several things have been cut out of the budget that could possibly be added back in. He said that he prioritized four of the options for use of that money as identified by staff by what he thought was most important, which are as follows:

1. Move one of the two positions that were being moved to the two open positions at the Library back to the Planning and Development Department.
2. Increase the 1% raise for City employees to 2%.
3. Purchase additional police vehicles to replace high mileage vehicles.
4. Provide a grant to the Historic Lake Wales Society (HLWS) for the operation of the Depot Museum and include funding in that grant for them to hire a full-time person to work at the Depot Museum.

Commissioner Rogers said that he is concerned by not having any cushion. Fuel prices are constantly fluctuating. He would like to have some type of reserve for emergency purposes. It is important to consider water, sewer, fire, and police services above all departments. However, he is in favor of restoring one of the positions in the Planning Department.

Commissioner Howell said that she is in favor of adding funding to the HLWS grant for a full-time position at the Depot Museum, restoring one of the Planning Department positions, and giving all the employees a 1% raise or do it like the City did last year and give higher wage employees a 1% raise and lower wage employees a 2% raise.

Mayor Wheeler said that Commissioner Manry was not able to provide her comments tonight because of having surgery. The surgery went well and she is expected back at the next Commission meeting.

Mayor Wheeler commented that his first and primary priority is toward the employees of the City. In that regard, he would like to see no layoffs at all in personnel even if that meant sacrificing employee raises. Everyone is suffering in these economic times and the City needs to share the burden. He said that for the record he did not get a raise either. He said that another priority that has not been mentioned is social services, which cannot be ignored. The most important Grants and Aid that the City used to provide was for the Senior Center. By providing some kind of funding for the Senior Center would be very beneficial to a lot of our citizens.

Ms. Delmar recapped the priorities of the Commission and provided cost for each. After much discussion, the Commission chose not to increase the 1% raise for employees and chose to restore the following items back in the budget using the \$103,000 savings:

- Restoration of one Planning Department position \$33,251
- Senior Center grant \$ 6,000

- Increase expenditure for a HLWS grant \$18,000
- Restore the two part-time custodian positions \$23,927
- Fire Works \$10,000
- Balance to be returned to Fund Balance \$12,286

Commissioner Rogers said that the Commission needed to put a little money back in reserves just in case a mistake was made on the figures given.

Ms. Delmar pointed out that one of the most difficult things to project in terms of what the budget is going to require is the cost for fuel. Mayor Wheeler said that fuel is budgeted at \$5.00 a gallon. He said that he has been paying \$3.50 a gallon for fuel. Ms. Delmar said that when the City gets further into the fiscal year and sees that there might be a surplus then the Commission could have another discussion to decide what to do with it, or it could go into reserves.

Mr. Otte said the Commission needed to make a motion to amend the budget as amended and a motion to approve the entire budget.

Commissioner Howell made a motion to amend the budget as amended after first reading and public hearing. The motion was seconded by Commissioner Rogers.

ROLL CALL:

Commissioner Howell	"YES"
Commissioner Rogers	"YES"
Commissioner Van Sickle	"NO"
Mayor Wheeler	"YES"

The motion carried 3-1.

AGENDA ITEM 2. Ordinance 2008-35/Five-Year Capital Improvement Plan - First Reading

Mr. Otte reported on Agenda Item 2. The full staff memo is incorporated into the minutes.

[begin agenda memo, prepared by Judith H. Delmar, Asst. City Manager]

RECOMMENDATION

It is recommended that the City Commission approve after first reading Ordinance 2008-35 adopting the Five-Year Capital Improvement Plan for fiscal years 2008-2009 through 2012-2013.

BACKGROUND

In accordance with section 6.05 of the City Charter, Ordinance 2008-35 approves and adopts the proposed 5-year Capital Improvement Plan (CIP) for the period FY08'09 through FY12'13. The 5-Year CIP document was presented to the City Commission for review with the FY08'09 Operating Budget. Capital improvements and capital acquisitions proposed for Year 1 of the 5-Year plan were incorporated into the FY08'09 budget, as was appropriation of funding sources necessary to implement Year 1 of the plan.

The 5-Year CIP document includes a list of all capital facility and infrastructure improvements, which are proposed to be undertaken during the next five years and supporting information to explain the necessity for the improvements. In addition, the CIP includes all capital equipment proposed for acquisition during this period. Cost estimates, method of funding and time schedule for the proposed improvements and equipment acquisitions are identified in the document.

The proposed 5-Year CIP totals \$67,850,954 and includes \$747,050 in land acquisition, \$2,390,310 in equipment acquisition, \$4,360,057 in building improvements, \$59,910,537 in infrastructure and recreation improvements and \$443,000 in other capital outlay.

Improvements and equipment needs for the next 5 years were submitted by department heads with a justification of necessity and a recommended time schedule for completion or acquisition. These requests were prioritized by the City Manager in view of the available funding resources and urgency of need and either retained in the proposed 5-Year Plan or deferred until future 5-Year plans are developed.

Items included in the proposed 5-Year CIP can be classified in three categories as follows:

- 1 - Corrects existing or impending deficiency
- 2 - Improves productivity/efficiency or permits reallocation of existing resources
- 3 - Enhances quality of life

Items in Category 1 comprise 46.0% of the cost of the CIP (\$31,225,169). These are improvements and equipment acquisitions which are urgently needed to correct or prevent system or infrastructure failures, threats to the public safety or welfare, and decline of service levels. Some of our currently utilized equipment is 10-20 years old or older with high maintenance costs and low operational reliability, making replacement a high priority. Also included in this category is the \$4.5 million wastewater treatment plant rehabilitation.

Items in Category 2 are equipment acquisitions, which will improve productivity and efficiency or otherwise enhance current service levels. These items represent 49.2% of the cost of the CIP (\$33,385,579).

Items in Category 3 are improvements in the area of Culture/Recreation which are viewed as important to the community in terms of enhancing the quality of life but which might receive a lower priority in view of the urgent needs, which must be addressed. These items represent 4.8% of the cost of the CIP (\$3,240,206), however 32.4% of this cost (\$1,050,000) is funded by state, county or federal grants or donations from private sources.

FISCAL IMPACT

Funding of the CIP requires no new taxes or fee increases for our citizens but will be accomplished through utilization of existing cash surpluses and current year operating revenues, future grants, private contributions, and impact fees. Some of the improvements proposed for the utility system are eligible for low-interest SRF financing, however it is anticipated that operating revenues and impact fees will be sufficient to fund the utility system improvements included in the CIP.

Among the capital improvements included in Year 1 of the CIP are the following items for which funding is included in the CRA bond:

Item	Cost	Department
Lift Station Pump Replacement	75,000	Wastewater Division
Lift Station Rehab	196,331	Wastewater Division
Sliplining of Sewer Lines	260,000	Wastewater Division
Asbestos/Cement Pipe Removal	300,000	Water Division
Elevated Storage Tank – Southwest Area	1,237,145	Water Division

Item	Cost	Department
Northwest Water Line Extensions	250,000	Water Division
Downtown Utility System Improvements	714,250	Water Division
Drainage Improvements - Twin Lakes	150,000	Streets Division
Lake Beautification Projects	70,000	CRA
Lighting - Dr Martin Luther King Jr Blvd	200,000	CRA
Lighting - Lincoln Avenue	145,000	CRA
Parking Improvements - Old City Hall	750,000	CRA
TOTAL CRA BOND PROJECTS	4,347,726	

Costs of all capital improvements and equipment acquisitions are distributed over 5 years as follows:

Year 1 - FY2008'09	17,176,379
Year 2 - FY2009'10	4,918,911
Year 3 - FY2010'11	22,548,772
Year 4 - FY2011'12	13,379,100
Year 5 - FY2012'13	9,827,792
	67,850,954
5 Year Total	

All items scheduled for Year 1 are included in the proposed FY08'09 operating budget presented to the City Commission for consideration. Changes since the 5-Year CIP was originally presented to the City Commission on August 15 are as follows:

-85,000	Deletion of purchase of grant-funded motorcycles
-85,000	Total change in 5-Year CIP from original document

OTHER OPTIONS

Items may be reprioritized or deleted from the 5-Year Plan, and items not currently included may be added. The City Commissioners may choose to defer adoption of the Plan until a later date, however, adoption of a 5-year capital program is required by City Charter.

[end agenda memo]

Ms. Delmar reviewed the highlights of the Five-Year Capital Improvement Plan.

Ms. Delmar read Ordinance 2008-35 by title only.

AN ORDINANCE OF THE CITY OF LAKE WALES, POLK COUNTY, FLORIDA, RATIFYING, APPROVING, ACCEPTING AND ADOPTING A 5-YEAR CAPITAL IMPROVEMENT PLAN FOR

FISCAL YEARS 2008-2009 THROUGH 2012-2013; REPEALING ALL ORDINANCES IN CONFLICT WITH THIS ORDINANCE AND PROVIDING FOR AN EFFECTIVE DATE.

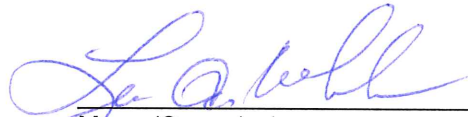
Commissioner Howell made a motion to approve after first reading Ordinance 2008-35 adopting the Five-Year Capital Improvement Plan for fiscal years 2008-2009 through 2012-2013. The motion was seconded by Commissioner Van Sickle.

ROLL CALL:

Commissioner Howell	"YES"
Commissioner Van Sickle	"YES"
Commissioner Rogers	"YES"
Mayor Wheeler	"YES"

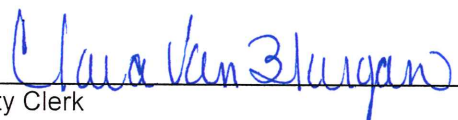
The motion carried 4-0.

There being no further business the meeting was adjourned.



Mayor/Commissioner

ATTEST:



City Clerk